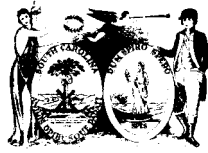


State of South Carolina



Office of the State Auditor

1401 MAIN STREET, SUITE 1200  
COLUMBIA, S.C. 29201

THOMAS L. WAGNER, JR., CPA  
STATE AUDITOR

(803) 253-4160  
FAX (803) 343-0723

January 27, 2003

Ms. Carol Disbro, Director of Reimbursement  
Integrated Health Services, Inc.  
The Highlands  
910 Ridgebrook Road  
Sparks, Maryland 21152

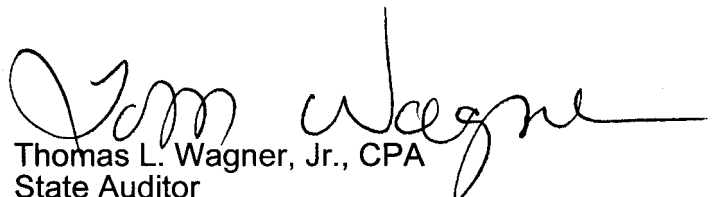
Re: AC# 3-MCP-J8 – Magnolia Manor – Inman, Inc. d/b/a Camp Care

Dear Ms. Disbro:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1997 through September 30, 1998. That report was used to set the rate covering the contract period beginning October 1, 1999.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

  
Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Joseph P. Hayes

**MAGNOLIA MANOR – INMAN, INC.  
D/B/A CAMP CARE**

**INMAN, SOUTH CAROLINA**

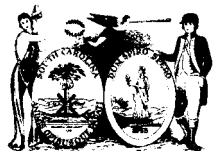
**CONTRACT PERIOD  
BEGINNING OCTOBER 1, 1999  
AC# 3-MCP-J8**

**AGREED-UPON PROCEDURES REPORT  
ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

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# State of South Carolina



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### INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

October 24, 2002

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Magnolia Manor – Inman, Inc. d/b/a Camp Care, for the contract period beginning October 1, 1999 and for the twelve month cost report period ended September 30, 1998, as set forth in the accompanying schedules. The management of Magnolia Manor – Inman, Inc. d/b/a Camp Care is responsible for the Financial and Statistical Report for Nursing Homes and supporting accounting and statistical records. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

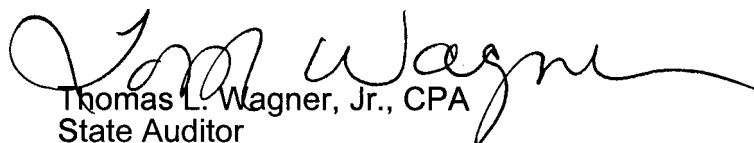
The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Magnolia Manor – Inman, Inc. d/b/a Camp Care, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Magnolia Manor – Inman, Inc. d/b/a Camp Care dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
October 24, 2002

These agreed-upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

  
Thomas L. Wagner, Jr., CPA  
State Auditor

**MAGNOLIA MANOR – INMAN, INC. D/B/A CAMP CARE**

Computation of Rate Change  
For the Contract Period  
Beginning October 1, 1999  
AC# 3-MCP-J8

	10/01/99- <u>09/30/00</u>
Interim Reimbursement Rate (1)	\$90.15
Adjusted Reimbursement Rate	<u>88.77</u>
Decrease in Reimbursement Rate	<u>\$ 1.38</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated January 25, 2002

**MAGNOLIA MANOR – INMAN, INC. D/B/A CAMP CARE**  
 Computation of Adjusted Reimbursement Rate  
 For the Contract Period October 1, 1999 Through September 30, 2000  
 AC# 3-MCP-J8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$39.73	\$47.61	
Dietary		9.25	10.24	
Laundry/Housekeeping/Maintenance		<u>8.33</u>	<u>8.89</u>	
Subtotal	\$ <u>4.67</u>	57.31	66.74	\$57.31
Administration & Medical Records	\$ <u>1.49</u>	<u>9.90</u>	<u>11.39</u>	<u>9.90</u>
Subtotal		67.21	\$ <u>78.13</u>	67.21
<u>Costs Not Subject to Standards:</u>				
Utilities		2.72		2.72
Special Services		1.18		1.18
Medical Supplies & Oxygen		3.97		3.97
Taxes and Insurance		1.26		1.26
Legal Fees		<u>.01</u>		<u>.01</u>
<b>TOTAL</b>		\$ <u>76.35</u>		76.35
Inflation Factor (3.00%)				2.29
Cost of Capital				6.41
Cost of Capital Limitation				-
Profit Incentive (Maximum 3.5% of Allowable Cost)				1.49
Cost Incentive				4.67
Effect of \$1.75 Cap on Cost/Profit Incentives				(4.41)
CNA Add-On				.75
Nurse Aide Staffing Add-On				<u>1.22</u>
ADJUSTED REIMBURSEMENT RATE				\$ <u>88.77</u>

**MAGNOLIA MANOR – INMAN, INC. D/B/A CAMP CARE**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1998  
AC# 3-MCP-J8

<u>Expenses</u>	<u>Totals (From Schedule SC 13) as Adjusted by DH&amp;HS</u>	<u>Adjustments</u>		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,288,608	\$ 131 (5)	\$ 1,179 (2) 28,267 (4) 3,304 (5)	\$1,255,989
Dietary	292,260	290 (5)	-	292,550
Laundry	96,368	-	640 (6)	95,728
Housekeeping	106,004	-	6,896 (3)	99,108
Maintenance	68,454	65 (5)	-	68,519
Administration & Medical Records	306,500	27,386 (2) 28,267 (4) 5,317 (5)	2,620 (5) 51,707 (6)	313,143
Utilities	85,850	-	-	85,850
Special Services	43,762	120 (5) 840 (6)	7,453 (7)	37,269
Medical Supplies & Oxygen	125,591	-	-	125,591
Taxes & Insurance	39,730	-	-	39,730
Legal Fees	350	-	-	350
Cost of Capital	205,430	3,984 (8)	448 (1) 6,391 (6)	202,575
Subtotal	2,658,907	66,400	108,905	2,616,402



**MAGNOLIA MANOR – INMAN, INC. D/B/A CAMP CARE**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1998  
AC# 3-MCP-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	<u>Debit</u>	<u>Credit</u>	<u>Adjusted Totals</u>
Ancillary	35,055	-	-	35,055
Non-Allowable	222,499	448 (1) 6,896 (3) 1 (5) 57,898 (6) <u>7,453 (7)</u>	26,207 (2) 3,984 (8)	265,004
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Operating Expenses	<u>\$2,916,461</u>	<u>\$139,096</u>	<u>\$139,096</u>	<u>\$2,916,461</u>
Total Patient Days	<u>31,616</u>	<u>-</u>	<u>-</u>	<u>31,616</u>
Total Beds	<u>88</u>			

**MAGNOLIA MANOR – INMAN, INC. D/B/A CAMP CARE**  
Adjustment Report  
Cost Report Period Ended September 30, 1998  
AC# 3-MCP-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Fixed Assets	\$ 6,604	
	Accumulated Depreciation	11,882	
	Nonallowable	448	
	Cost of Capital		\$ 448
	Other Equity		18,486
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Administration	27,386	
	Nursing		1,179
	Nonallowable		26,207
	To adjust Premiere Fees HIM-15-1, Section 2304		
3	Nonallowable	6,896	
	Housekeeping		6,896
	To adjust contracted services to the contracted rate HIM-15-1, Section 2304		
4	Medical Records	28,267	
	Nursing		28,267
	To reclassify salaries to the proper cost center DH&HS Expense Checklist		
5	Restorative	131	
	Dietary	290	
	Maintenance	65	
	Medical Records	5,317	
	Special Services	120	
	Nonallowable	1	
	Nursing		3,304
	Administration		2,620
	To adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

**MAGNOLIA MANOR – INMAN, INC. D/B/A CAMP CARE**  
Adjustment Report  
Cost Report Period Ended September 30, 1998  
AC# 3-MCP-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Nonallowable Therapy	57,898 840	
	Laundry		640
	Administration		51,707
	Cost of Capital		6,391
	To adjust home office and related party laundry expense HIM-15-1, Section 2304		
7	Nonallowable Special Services	7,453	7,453
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D		
8	Cost of Capital Nonallowable	3,984	3,984
	To adjust capital return State Plan, Attachment 4.19D		
		<hr/>	<hr/>
	TOTAL ADJUSTMENTS	<u>\$157,582</u>	<u>\$157,582</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**MAGNOLIA MANOR – INMAN, INC. D/B/A CAMP CARE**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1998  
AC# 3-MCP-J8

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.2493</u>
Deemed Asset Value (Per Bed)	35,130
Number of Beds	<u>88</u>
Deemed Asset Value	3,091,440
Improvements Since 1981	280,866
Accumulated Depreciation at 9/30/98	<u>(901,337)</u>
Deemed Depreciated Value	2,470,969
Market Rate of Return	<u>.063</u>
Total Annual Return	155,671
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	155,671
Depreciation Expense	50,071
Amortization Expense	212
Capital Related Income Offsets	(3,379)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	202,575
Total Patient Days (Minimum 97% Occupancy)	<u>31,616</u>
Cost of Capital Per Diem	\$ <u><u>6.41</u></u>

**MAGNOLIA MANOR – INMAN, INC. D/B/A CAMP CARE**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1998  
AC# 3-MCP-J8

6/30/89 Cost of Capital and Return on Equity	
Capital Per Diem Reimbursement	\$4.38
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	<u>\$8.37</u>
Reimbursable Cost of Capital Per Diem	\$6.41
Cost of Capital Per Diem	<u>6.41</u>
Cost of Capital Per Diem Limitation	<u>\$ -</u>

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